MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BFN3214 – REAL ESTATE FINANCE

(All sections / Groups)

16th FEBRUARY 2023
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages (including cover page).
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the answer template provided.

QUESTION 1 (25 MARKS)

(a) Describe the developer's strategies to overcome the properties' overhang statuses. (15 marks)

(b) What are the **TWO (2)** factors contributing to the "distress properties"? Discuss. (10 marks)

QUESTION 2 (25 MARKS)

Gagak Emas Berhad bought RM1,000,000 non-resident building in 2017, which is 80% allocated to building and 20% to the land. The company took a loan of 80% with an 9% Interest Rate. The annual interest of the loan is RM50,000 from the original price of the building. The company pay the loan instalment to the bank for 3% of the original price monthly. The Net Operating Income is RM450,000. The building then was sold at RM1,500,000, where the mortgage loan balance is 60% from its original price. The taxable income is 30%.

Ignore cents during computation for the question below.

Compute:

(a) Equity dividend (5 marks)
(b) Debt coverage ratio (4 marks)
(c) Before-tax cash flow from the property sale. (4 marks)
(d) After-tax cash flow (12 marks)

QUESTION 3 (25 MARKS)

Briefly explain Real Estate Investment Trust (REIT) and its roles in stimulating the Malaysian economy.

(25 marks)

Continued...

QUESTION 4 (25 MARKS)

(a) Cantek Mewangi Berhad wishes to sell its property at Tasik Cinun which the current price is RM3 million. The owner of Cantek Mewangi was advised to sell the property next year, as the real estate expert has informed them that the property can be sold at RM500,000 higher than the current price. The capital gains tax is forecasted to increase up to 10% from RM600,000 (figure for this year) and the outstanding loan of the property will be RM1.1 million, if he sells it next year. The owner strongly believes that he may earns the Internal Rate of Return of the said property at 12%, and if sold this year, the remaining loan is half of the current property price. If he decides not to sell the property this year, the tax after cash flow will be RM200,000 over next year. Compute the marginal rate of return if he wishes to sell the property one year later.

(13 marks)

(b) The owner of Cantek Mewangi Berhad wishes to renovate the property so that he can sell it at a higher price. The after-tax cash flow over next year up to RM220,000 if the property was renovated. The renovation cost is estimated at RM180,000, and it is predicted that after one year, the property will be sold for an additional 32% of its current price.

If the owner renovated the property, compute the rate of return that he would earn on that additional funds. Is the renovation a good option?

(12 marks)

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